

## INVESTMENT ADVISER

CAPITAL GROWTH MANAGEMENT  
LIMITED PARTNERSHIP  
Boston, Massachusetts 02110

## TRANSFER AND DIVIDEND PAYING AGENT AND CUSTODIAN OF ASSETS

STATE STREET BANK AND TRUST COMPANY  
Boston, Massachusetts 02111

## SHAREHOLDER SERVICING AGENT

DST ASSET MANAGER SOLUTIONS, INC.\*  
P.O. Box 8511  
Boston, Massachusetts 02266-8511

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## TELEPHONE NUMBERS

*For information about:*

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- Proxy Voting Policies and Voting Records
- Complete Schedule of Portfolio Holdings  
for the 1st & 3rd Quarters (as filed on Form N-Q)  
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## MAILING ADDRESS

CGM Shareholder Services  
c/o DST Asset Manager Solutions, Inc.\*  
P.O. Box 8511  
Boston, MA 02266-8511

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## WEBSITE

[www.cgmfund.com](http://www.cgmfund.com)

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# CGM Focus Fund

21<sup>st</sup> Annual Report  
December 31, 2017

A No-Load Fund

This report has been prepared for the shareholders of the Fund and is not authorized for distribution to current or prospective investors in the Fund unless it is accompanied or preceded by a prospectus.

\*Formerly known as Boston Financial Data Services.



*Investment Adviser*

**Capital Growth Management  
Limited Partnership**

## To Our Shareholders:

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CGM Focus Fund increased 3.7% during the fourth quarter of 2017 compared to the Standard and Poor's 500 Index (S&P 500 Index) which increased 6.6%. For the twelve months ended December 31, 2017, CGM Focus Fund returned 24.8% while the S&P 500 Index returned 21.8%.

### The Year in Review and Economic Outlook

The stock market started the year strong, continuing a rally that began with the presidential election at the end of 2016. Bank stocks were a significant driver of market performance early in the year based on the prospects of a more favorable regulatory environment and the possibility of upward inflation pressures. U.S. and foreign stocks advanced in response to rising commodity prices and improved global economic conditions. The prospects of continuing U.S. and global economic growth led the Federal Reserve to raise interest rates in mid-March with plans for two further rate increases during the year. Stocks reacted favorably to the news but pulled back as the quarter came to a close. The decline at the end of the quarter may have been in reaction to the inability of the Trump administration and congressional Republicans to pass a replacement for the Affordable Care Act and concern that this failure was an indication that the administration would have trouble implementing its agenda of infrastructure spending, tax cuts and reduced regulation. Despite the market weakness, consumer confidence continued to grow through the end of the quarter and the Conference Board's Consumer Confidence Index reached its highest level in seventeen years. In another healthy sign for the economy, the Commerce Department's Personal Consumption Expenditure Index (the index the Fed consults when planning interest rate adjustments) for February surpassed the Fed's target of a 2% annual gain for the first time in five years.

Stocks climbed through the second quarter despite mixed economic news. The Institute for Supply Management (ISM) reported accelerating growth in the non-manufacturing sector and also indicated that the manufacturing sector continued to expand, though at a slightly slower pace than earlier in the

year. Lackluster U.S. business investment since the end of the recession resulted in tempered growth in the manufacturing sector. Labor Department reports in April provided signs of upward inflation pressure. The Producer Price Index for Final Demand, which measures the prices U.S. companies receive for their goods and services, grew to its highest level in five years. Import prices also increased by 4.1% from a year earlier. However, this news was offset by oil prices that dropped into bear market territory in June and countered rising inflation pressures. Despite the conflicting news, the equity markets continued to climb through the end of the quarter, led by technology stocks which outperformed the broader market, and bank stocks which benefited from the news that all of the 34 largest U.S. banks passed the Fed's capital requirements test mandated by the Dodd-Frank Act.

U.S. economic growth picked up in the third quarter despite low inflation. Strong employment and wage data along with resurgent consumer spending contributed to the steady expansion. Wage increases have been subdued throughout the recovery from the recession but the Labor Department's June employment report indicated that workers at the bottom of the pay scale were now seeing their earnings increase at a faster rate than the median for all workers. The Commerce Department reported that retail sales for the first half of the year surpassed the first half of 2016 and grew at an even quicker pace in July. In early September, the impact of hurricanes Harvey and Irma along with rising tensions between the U.S. and North Korea temporarily weighed on stock prices and, along with weak inflation numbers, contributed to low bond yields. But the Fed expressed its confidence in continued economic growth by announcing that it would begin to reduce its portfolio of bonds and other assets purchased to stimulate the economy in the wake of the recession. By the end of the quarter, stocks were back in record territory.

The fourth quarter saw continued growth with the ISM reporting that manufacturing activity in September reached a thirteen year high despite the

impact of the recent hurricanes. In October, the Labor Department reported that the unemployment rate dropped to a 17 year low of 4.1%, where it remained through the end of the year. As the market anticipated passage of the Republican's tax plan, stocks continued to hit new records, led by banks and small cap stocks which are expected to benefit the most from the new corporate tax cuts. Bond yields rebounded after passage of the tax plan in anticipation of upward inflationary pressures and the yield on the 10 year U.S. Treasury bond ended the year at 2.4%. Expanding corporate earnings and a growing global economy drove the S&P 500 Index and the Dow Jones Industrial Average to their best returns since 2013.



David C. Fietze  
President



G. Kenneth Heebner  
Portfolio Manager

January 2, 2018

### Portfolio Strategy

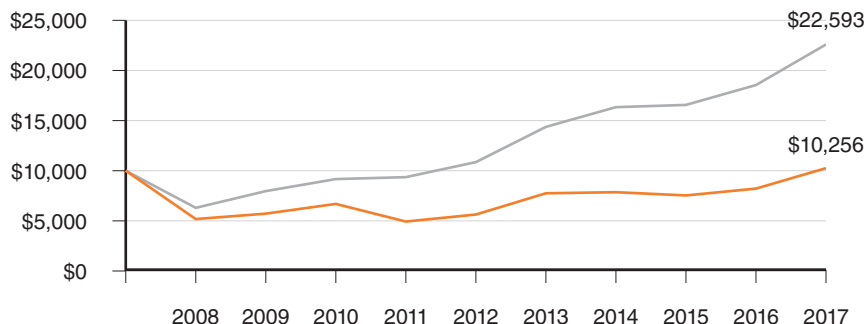
CGM Focus Fund was fully invested throughout 2017 in anticipation of continued growth in the global economy. The largest industry positions over the course of the year were in the financial sector, including commercial banks, money center banks and broker/dealers. Other important holdings during that period were semiconductor production and semiconductor capital equipment stocks as well as mining companies.

Semiconductor production and semiconductor capital equipment companies along with commercial banks and broker/dealers were the largest contributors to the significant portfolio appreciation realized in 2017.

The Fund maintained a short position in long-term U.S. Treasury bonds in anticipation of higher interest rates throughout the year. The appreciation and interest payments from this position slightly offset gains elsewhere in the portfolio.

On December 31, 2017 CGM Focus Fund was 18.7% invested in commercial banks, 15.3% invested in retail and 13.8% invested in metals and mining companies. The three largest holdings were Bank of America Corporation, Citigroup Inc. (commercial banks), and Vale S.A. ADR (metals and mining). Approximately 59.0% of the portfolio was invested in securities sold short.

**Comparisons of the change in value of a \$10,000 investment in CGM Focus Fund and the S&P 500 Index  
(assuming reinvestment of dividends and capital gains)**



**Average Annual Total Returns through 12/31/17**

|   |                | 1 Year | 5 Year | 10 Year |
|---|----------------|--------|--------|---------|
| ■ | CGM Focus Fund | 24.8%  | 12.7%  | 0.3%    |
| ■ | S&P 500 Index  | 21.8%  | 15.8%  | 8.5%    |

Past performance is no indication of future results and current performance may be higher or lower than the figures shown. Unlike a fund, an index is not managed and does not reflect fees and expenses.

## CGM FOCUS FUND

### Portfolio Manager

G. Kenneth Heebner has managed CGM Focus Fund since its inception on September 3, 1997. In 1990, Mr. Heebner founded Capital Growth Management Limited Partnership ("CGM") with Robert L. Kemp. Prior to establishing CGM, Mr. Heebner managed mutual funds at Loomis, Sayles & Company. In addition to CGM Focus Fund, he currently manages CGM Mutual Fund and CGM Realty Fund as well as one pooled investment vehicle.

## INVESTMENT PERFORMANCE

(unaudited)

Cumulative Total Returns for Periods Ended December 31, 2017

|                | <b>CGM Focus Fund (%)</b> |      |
|----------------|---------------------------|------|
| 10 Years ..... | +                         | 2.6  |
| 5 Years .....  | +                         | 82.1 |
| 1 Year .....   | +                         | 24.8 |
| 3 Months ..... | +                         | 3.7  |

The performance data contained in the report represent past performance, which is no guarantee of future results. The graph and table above do not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares and assumes the reinvestment of all Fund distributions.

The investment return and the principal value of an investment in the Fund will fluctuate so that investors' shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted.

# CGM FOCUS FUND

## PORTFOLIO DIVERSIFICATION as of December 31, 2017

### COMMON STOCKS

| Industry                    | Percent of Net Assets |
|-----------------------------|-----------------------|
| Commercial Banks            | 18.7%                 |
| Retail                      | 15.3                  |
| Metals and Mining           | 13.8                  |
| Broker/Dealers              | 12.3                  |
| Banks - Money Center        | 9.9                   |
| Leisure                     | 8.5                   |
| Home Products               | 7.4                   |
| Machinery                   | 5.2                   |
| Oil- Independent Production | 5.1                   |
| Steel                       | 4.8                   |
| Textile and Apparel         | 1.7                   |

### SECURITIES SOLD SHORT

|                              |        |
|------------------------------|--------|
| United States Treasury Bonds | (30.0) |
| Retail                       | (16.4) |
| Technology                   | (5.9)  |
| Leisure                      | (5.0)  |
| Food - Retailers/Wholesalers | (1.7)  |

## SCHEDULE OF INVESTMENTS as of December 31, 2017

### INVESTMENTS HELD LONG - 104.5% OF TOTAL NET ASSETS

#### COMMON STOCKS — 102.7% OF TOTAL NET ASSETS

|                                         | Shares    | Value(a)           |
|-----------------------------------------|-----------|--------------------|
| <b>Banks - Money Center — 9.9%</b>      |           |                    |
| Banco Bradesco S.A. ADR (b).....        | 4,800,000 | \$ 49,152,000      |
| Itau Unibanco Holding S.A. ADR (b)..... | 3,850,000 | 50,050,000         |
|                                         |           | <u>99,202,000</u>  |
| <b>Broker/Dealers — 12.3%</b>           |           |                    |
| Morgan Stanley (c).....                 | 1,390,000 | 72,933,300         |
| The Charles Schwab Corporation.....     | 970,000   | 49,828,900         |
|                                         |           | <u>122,762,200</u> |
| <b>Commercial Banks — 18.7%</b>         |           |                    |
| Bank of America Corporation (c).....    | 3,210,000 | 94,759,200         |
| Citigroup Inc. ....                     | 1,240,000 | 92,268,400         |
|                                         |           | <u>187,027,600</u> |

# CGM FOCUS FUND

## SCHEDULE OF INVESTMENTS as of December 31, 2017 (continued)

### COMMON STOCKS (continued)

| <b>Home Products — 7.4%</b>                                      | <b>Shares</b> | <b>Value(a)</b>      |
|------------------------------------------------------------------|---------------|----------------------|
| Thor Industries, Inc. ....                                       | 350,000       | \$ 52,752,000        |
| Whirlpool Corporation .....                                      | 125,000       | 21,080,000           |
|                                                                  |               | <u>73,832,000</u>    |
| <b>Leisure — 8.5%</b>                                            |               |                      |
| Carnival Corporation (b) .....                                   | 490,000       | 32,521,300           |
| Royal Caribbean Cruises Ltd. (b)(c) .....                        | 440,000       | 52,483,200           |
|                                                                  |               | <u>85,004,500</u>    |
| <b>Machinery — 5.2%</b>                                          |               |                      |
| United Rentals, Inc. (d) .....                                   | 300,000       | 51,573,000           |
| <b>Metals and Mining — 13.8%</b>                                 |               |                      |
| Turquoise Hill Resources Ltd. (b)(c)(d) .....                    | 17,825,000    | 61,139,750           |
| Vale S.A. ADR (b)(c) .....                                       | 6,250,000     | 76,437,500           |
|                                                                  |               | <u>137,577,250</u>   |
| <b>Oil - Independent Production — 5.1%</b>                       |               |                      |
| Petroleo Brasileiro S.A. - Petrobras ADR (b)(d) .....            | 4,900,000     | 50,421,000           |
| <b>Retail — 15.3%</b>                                            |               |                      |
| Best Buy Co., Inc. ....                                          | 690,000       | 47,244,300           |
| Dollar Tree, Inc. (d) .....                                      | 430,000       | 46,143,300           |
| Skechers U.S.A., Inc. (d) .....                                  | 1,350,000     | 51,084,000           |
| Wal-Mart Stores, Inc. ....                                       | 80,000        | 7,900,000            |
|                                                                  |               | <u>152,371,600</u>   |
| <b>Steel — 4.8%</b>                                              |               |                      |
| ArcelorMittal (b)(d) .....                                       | 1,000,000     | 32,310,000           |
| POSCO ADR (b) .....                                              | 80,000        | 6,250,400            |
| United States Steel Corporation .....                            | 250,000       | 8,797,500            |
|                                                                  |               | <u>47,357,900</u>    |
| <b>Textile and Apparel — 1.7%</b>                                |               |                      |
| PVH Corp. ....                                                   | 125,000       | 17,151,250           |
| <b>TOTAL COMMON STOCKS</b> (Identified cost \$846,424,491) ..... |               | <u>1,024,280,300</u> |

### SHORT-TERM INVESTMENT — 1.8% OF TOTAL NET ASSETS

|                                                                                                                                                                                                                                                                                                                | <b>Face Amount</b> |                      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|----------------------|
| Tri-party Repurchase Agreement with Fixed Income Clearing Corporation, dated 12/29/17 at 0.20% to be repurchased at \$17,930,398 on 01/02/2018 collateralized by \$17,420,000 U.S. Treasury Inflation Indexed Bond, 0.125% due 04/15/2020 valued at \$18,315,688 including interest. (Cost \$17,930,000) ..... | \$ 17,930,000      | 17,930,000           |
| <b>TOTAL INVESTMENTS HELD LONG — 104.5%</b> (Identified cost \$864,354,491) .....                                                                                                                                                                                                                              |                    | <u>1,042,210,300</u> |

See accompanying notes to financial statements.

# CGM FOCUS FUND

## SCHEDULE OF INVESTMENTS as of December 31, 2017 (continued)

### INVESTMENTS HELD SHORT — (59.0)% OF TOTAL NET ASSETS

#### COMMON STOCKS — (29.0)% OF TOTAL NET ASSETS

##### Food - Retailers/Wholesalers — (1.7)%

|                                        | Shares   | Value(a)        |
|----------------------------------------|----------|-----------------|
| Chipotle Mexican Grill, Inc. (d) ..... | (60,000) | \$ (17,341,800) |

##### Leisure — (5.0)%

|                         |           |              |
|-------------------------|-----------|--------------|
| Netflix, Inc. (d) ..... | (260,000) | (49,909,600) |
|-------------------------|-----------|--------------|

##### Retail — (16.4)%

|                                 |           |               |
|---------------------------------|-----------|---------------|
| Amazon.com, Inc. (d) .....      | (43,700)  | (51,105,839)  |
| Simon Property Group, Inc. .... | (350,000) | (60,109,000)  |
| The Macerich Company .....      | (800,000) | (52,544,000)  |
|                                 |           | (163,758,839) |

##### Technology — (5.9)%

|                     |             |              |
|---------------------|-------------|--------------|
| Snap Inc. (d) ..... | (4,000,000) | (58,440,000) |
|---------------------|-------------|--------------|

|                                                           |  |               |
|-----------------------------------------------------------|--|---------------|
| <b>TOTAL COMMON STOCKS</b> (Proceeds \$277,729,132) ..... |  | (289,450,239) |
|-----------------------------------------------------------|--|---------------|

#### BONDS — (30.0)% OF TOTAL NET ASSETS

##### United States Treasury — (30.0)%

|                                                        | Face Amount     |               |
|--------------------------------------------------------|-----------------|---------------|
| United States Treasury Bonds, 2.750%, 08/15/2042 ..... | \$ (35,000,000) | (35,263,867)  |
| United States Treasury Bonds, 2.875%, 11/15/2046 ..... | (100,000,000)   | (102,625,000) |
| United States Treasury Bonds, 3.000%, 02/15/2047 ..... | (90,000,000)    | (94,689,844)  |
| United States Treasury Bonds, 3.125%, 02/15/2043 ..... | (40,000,000)    | (42,993,750)  |
| United States Treasury Bonds, 3.750%, 11/15/2043 ..... | (20,000,000)    | (23,839,844)  |

|                                                   |  |               |
|---------------------------------------------------|--|---------------|
| <b>TOTAL BONDS</b> (Proceeds \$279,123,168) ..... |  | (299,412,305) |
|---------------------------------------------------|--|---------------|

|                                                                              |  |               |
|------------------------------------------------------------------------------|--|---------------|
| <b>TOTAL INVESTMENTS HELD SHORT — (59.0)%</b> (Proceeds \$556,852,300) ..... |  | (588,862,544) |
|------------------------------------------------------------------------------|--|---------------|

|                            |  |              |
|----------------------------|--|--------------|
| Cash and receivables ..... |  | 565,773,292  |
| Liabilities .....          |  | (21,407,053) |

|                                        |  |                       |
|----------------------------------------|--|-----------------------|
| <b>TOTAL NET ASSETS — 100.0%</b> ..... |  | <u>\$ 997,713,995</u> |
|----------------------------------------|--|-----------------------|

(a) See Note 2A.

(b) At December 31, 2017, the Fund has approximately 22.7% of net assets invested in companies incorporated in Brazil, approximately 6.1% of net assets invested in companies incorporated in Canada, approximately 5.3% of net assets invested in companies incorporated in Liberia and is invested in other foreign countries that each account for less than 5% of net assets (in aggregate 7.1%).

(c) A portion of this security has been segregated as collateral in connection with short sale investments (See Note 2E).

(d) Non-income producing security.

**ADR:** American Depositary Receipt - a certificate issued by a U.S. bank representing the right to receive securities of the foreign issuer described. The values of ADRs are significantly influenced by trading on exchanges not located in the U.S. or Canada.

# CGM FOCUS FUND

## STATEMENT OF ASSETS AND LIABILITIES

December 31, 2017

### Assets

Investments at value:

|                                             |                  |
|---------------------------------------------|------------------|
| (Identified cost \$864,354,491) .....       | \$ 1,042,210,300 |
| Cash .....                                  | 351              |
| Deposits with brokers for short sales ..... | 546,852,064      |
| Receivable for:                             |                  |
| Securities sold .....                       | \$ 16,469,905    |
| Shares of the Fund sold .....               | 35,935           |
| Dividends and interest ..                   | 2,415,037        |
|                                             | 18,920,877       |
| Total assets .....                          | 1,607,983,592    |

### Liabilities

|                                                                              |                       |
|------------------------------------------------------------------------------|-----------------------|
| Securities sold short at current market value (Proceeds \$556,852,300) ..... | 588,862,544           |
| Payable for:                                                                 |                       |
| Securities purchased ....                                                    | 16,823,923            |
| Shares of the Fund redeemed .....                                            | 881,218               |
| Interest payable .....                                                       | 2,318,010             |
| Tax Withholding .....                                                        | 270,561               |
|                                                                              | 20,293,712            |
| Accrued expenses:                                                            |                       |
| Management fees .....                                                        | 823,749               |
| Trustees' fees .....                                                         | 30,795                |
| Accounting, administration and compliance expenses .....                     | 50,465                |
| Transfer agent fees .....                                                    | 96,757                |
| Other expenses .....                                                         | 111,575               |
|                                                                              | 1,113,341             |
| Total liabilities .....                                                      | 610,269,597           |
| <b>Net Assets</b> .....                                                      | <b>\$ 997,713,995</b> |

Net Assets consist of:

|                                                               |                       |
|---------------------------------------------------------------|-----------------------|
| Capital paid-in .....                                         | \$ 869,968,357        |
| Accumulated net realized losses on investments .....          | (18,099,927)          |
| Net unrealized appreciation (depreciation) on investments:    |                       |
| Long positions .....                                          | 177,855,809           |
| Short positions .....                                         | (32,010,244)          |
|                                                               |                       |
| <b>Net Assets</b> .....                                       | <b>\$ 997,713,995</b> |
| Shares of beneficial interest outstanding, no par value ..... | 18,702,538            |
| Net asset value per share* .....                              | \$53.35               |

\* Shares of the Fund are sold and redeemed at net asset value (\$997,713,995 ÷ 18,702,538).

## STATEMENT OF OPERATIONS

Twelve Months Ended December 31, 2017

### Investment Income

Income:

|                                                       |               |
|-------------------------------------------------------|---------------|
| Dividends (net of withholding tax of \$800,585) ..... | \$ 16,526,950 |
| Interest .....                                        | 11,710        |
|                                                       | 16,538,660    |

Expenses:

|                                                          |              |
|----------------------------------------------------------|--------------|
| Management fees .....                                    | 9,474,330    |
| Trustees' fees .....                                     | 123,394      |
| Accounting, administration and compliance expenses ..... | 605,575      |
| Custodian fees and expenses .....                        | 141,239      |
| Transfer agent fees .....                                | 645,005      |
| Audit and tax services .....                             | 51,165       |
| Legal .....                                              | 97,426       |
| Printing .....                                           | 79,850       |
| Registration fees .....                                  | 27,027       |
| Interest expense on short sales .....                    | 10,674,437   |
| Dividend expense on short sales .....                    | 7,963,000    |
| Miscellaneous expenses .....                             | 31,994       |
|                                                          | 29,914,442   |
| Net investment loss .....                                | (13,375,782) |

### Realized and Unrealized Gain (Loss) on Investments

Net realized gains on investments and foreign currency transactions:

|                          |             |
|--------------------------|-------------|
| Long transactions .....  | 223,113,485 |
| Short transactions ..... | 23,228,299  |
|                          | 246,341,784 |

Net change in unrealized appreciation (depreciation) on investments:

|                          |              |
|--------------------------|--------------|
| Long transactions .....  | 7,206,061    |
| Short transactions ..... | (25,649,444) |
|                          | (18,443,383) |

Net realized and unrealized gains on investments and foreign currency transactions .....

227,898,401

### Change in Net Assets from Operations

\$ 214,522,619

See accompanying notes to financial statements.



# CGM FOCUS FUND

## STATEMENT OF CHANGES IN NET ASSETS

|                                                                           | 2017                  | 2016                  |
|---------------------------------------------------------------------------|-----------------------|-----------------------|
| <b>From Operations</b>                                                    |                       |                       |
| Net investment loss .....                                                 | \$ (13,375,782)       | \$ (9,969,392)        |
| Net realized gains on investments and foreign currency transactions ..... | 246,341,784           | 9,919,219             |
| Net change in unrealized appreciation (depreciation) on investments ..... | (18,443,383)          | 61,347,617            |
| Change in net assets from operations .....                                | 214,522,619           | 61,297,444            |
| <b>From Capital Share Transactions</b>                                    |                       |                       |
| Proceeds from sale of shares .....                                        | 10,888,179            | 8,880,757             |
| Cost of shares redeemed .....                                             | (164,542,574)         | (198,259,157)         |
| Change in net assets derived from capital share transactions .....        | (153,654,395)         | (189,378,400)         |
| Total change in net assets .....                                          | 60,868,224            | (128,080,956)         |
| <b>Net Assets</b>                                                         |                       |                       |
| Beginning of period .....                                                 | 936,845,771           | 1,064,926,727         |
| End of period .....                                                       | <u>\$ 997,713,995</u> | <u>\$ 936,845,771</u> |
| <b>Number of Shares of the Fund:</b>                                      |                       |                       |
| Issued from sale of shares .....                                          | 226,565               | 248,932               |
| Redeemed .....                                                            | (3,442,452)           | (5,497,232)           |
| Net change .....                                                          | <u>(3,215,887)</u>    | <u>(5,248,300)</u>    |

# CGM FOCUS FUND

## FINANCIAL HIGHLIGHTS

|                                                                                                           | For the Year Ended December 31, |                 |                 |                 |                 |
|-----------------------------------------------------------------------------------------------------------|---------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                                                                           | 2017                            | 2016            | 2015            | 2014            | 2013            |
| For a share of the Fund outstanding throughout each period:                                               |                                 |                 |                 |                 |                 |
| Net asset value at beginning of period .....                                                              | \$ 42.74                        | \$ 39.20        | \$ 40.88        | \$ 40.31        | \$ 29.30        |
| Net investment loss (a)(b) .....                                                                          | (0.67)                          | (0.41)          | (0.52)          | (0.64)          | (0.40)          |
| Net realized and unrealized gains (losses) on investments and foreign currency transactions .....         | 11.28                           | 3.95            | (1.16)          | 1.21            | 11.41           |
| Total from investment operations .....                                                                    | 10.61                           | 3.54            | (1.68)          | 0.57            | 11.01           |
| Net increase (decrease) in net asset value .....                                                          | 10.61                           | 3.54            | (1.68)          | 0.57            | 11.01           |
| Net asset value at end of period .....                                                                    | <u>\$ 53.35</u>                 | <u>\$ 42.74</u> | <u>\$ 39.20</u> | <u>\$ 40.88</u> | <u>\$ 40.31</u> |
| Total return (%) .....                                                                                    | 24.8                            | 9.0             | (4.1)           | 1.4             | 37.6            |
| Ratios:                                                                                                   |                                 |                 |                 |                 |                 |
| Operating expenses to average net assets (%) .....                                                        | 1.16                            | 1.20            | 1.13            | 1.10            | 1.09            |
| Dividends and interest on short positions to average net assets (%) .....                                 | 1.92                            | 1.25            | 1.09            | 1.16            | 0.91            |
| Total expenses to average net assets (%) .....                                                            | <u>3.08</u>                     | <u>2.45</u>     | <u>2.22</u>     | <u>2.26</u>     | <u>2.00</u>     |
| Net investment loss to average net assets (%) .....                                                       | (1.38)                          | (1.13)          | (1.27)          | (1.61)          | (1.13)          |
| Portfolio turnover (%) (c) .....                                                                          | 388                             | 334             | 268             | 266             | 291             |
| Net assets at end of period (in thousands) (\$)                                                           | 997,714                         | 936,846         | 1,064,927       | 1,326,978       | 1,642,133       |
| (a) Net investment income (loss) per share excluding all related short sale income and expenses (\$)      |                                 |                 |                 |                 |                 |
|                                                                                                           | 0.26                            | 0.04            | (0.07)          | (0.18)          | (0.08)          |
| (b) Per share net investment loss has been calculated using average shares outstanding during the period. |                                 |                 |                 |                 |                 |
| (c) Includes short sale bond transactions.                                                                |                                 |                 |                 |                 |                 |

See accompanying notes to financial statements.

# CGM FOCUS FUND

## NOTES TO FINANCIAL STATEMENTS — December 31, 2017

**1. Organization** — CGM Focus Fund (the "Fund") is a diversified series of CGM Trust (the "Trust") which is organized as a Massachusetts business trust under the laws of Massachusetts pursuant to an Agreement and Declaration of Trust. The Trust is registered under the Investment Company Act of 1940 as an open-end management investment company and is following accounting and reporting guidance in the Financial Accounting Standards Board's ("FASB") Topic 946 "*Financial Services—Investment Companies*". The Trust has two other funds whose financial statements are not presented herein. The Fund commenced operations on September 3, 1997. The Fund's investment objective is long-term growth of capital. The Fund intends to pursue its objective by investing in a smaller number of companies, and/or in a more limited number of sectors than other diversified mutual funds. In addition, should the investment outlook of the Fund's investment adviser so warrant, the Fund may engage in a variety of investment techniques including short sales designed to capitalize on declines in the market price of specific securities of one or more companies, or declines in market indexes or government securities.

**2. Significant accounting policies** — Management has evaluated the events and transactions from December 31, 2017 through the date of issuance of the Fund's financial statements. For the Fund, there were no material subsequent events that required disclosure in the financial statements or footnotes.

**A. Security valuation** — Equity securities are valued on the basis of valuations furnished by a pricing service, authorized by the Board of Trustees (the "Board"). Equity securities listed or regularly traded on a securities exchange or in the over-the-counter ("OTC") market are valued at the last quoted sale price or, for certain markets, the official closing price at the time the valuations are made. A security that is listed or traded on more than one exchange is valued at the quotation on the exchange determined to be the primary market for such security. For securities with no sale reported, the last reported bid price is used for long positions and the last reported ask price for short positions. Corporate debt securities (other than short-term obligations purchased with an original or remaining maturity of sixty days or less) are valued on the basis of valuations furnished by a pricing service, authorized by the Board, which determines valuations for normal, institutional-size trading units of such securities using market information, transactions for comparable securities and various relationships between securities which are generally recognized by institutional traders. United States government debt securities held long are valued at the current closing bid and if held short are valued at the current closing ask, as last reported by a pricing service approved by the Board. Short-term investments purchased with an original or remaining maturity of sixty days or less are valued at amortized cost, which approximates value.

When current market prices or quotations are not readily available or do not accurately reflect fair value, valuations may be determined in accordance with procedures adopted by the Board. For example, when developments occur between the close of a market and the close of the New York Stock Exchange ("NYSE") that may materially affect the value of some or all of the securities, or when trading in a security is halted, these procedures may be used. The frequency with which these procedures are used is unpredictable. These valuation procedures may result in a change to a particular security's assigned level within the fair value hierarchy described below. The value of securities used for net asset value ("NAV") calculation under these procedures may differ from published prices for the same securities.

The Fund may use valuation techniques consistent with the market, income, and cost approach to measure fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts (cash flows, earnings) to a single present amount. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset. To increase consistency and comparability in fair value measurements and related disclosure, the Fund utilizes a fair value hierarchy which prioritizes the various inputs to valuation techniques used to measure fair value into three broad levels:

# CGM FOCUS FUND

## NOTES TO FINANCIAL STATEMENTS (continued)

- Level 1 - Prices determined using: quoted prices in active markets for identical securities that the Fund has the ability to access at the measurement date. Valuation adjustments are not applied to Level 1 investments.
- Level 2 - Prices determined using: other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.).
- Level 3 - Prices determined using: significant unobservable inputs, including the Fund's own assumptions and judgment in determining the fair value of investments. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available in the circumstances. Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models rely on one or more significant unobservable inputs and/or significant assumptions by Capital Growth Management Limited Partnership, the Fund's investment adviser ("CGM"). Inputs used in valuations may include, but are not limited to, financial statement analysis, capital account balances, discount rates and estimated cash flows, and comparable company data.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Fund's investments as of December 31, 2017:

| Classification                               | Valuation Inputs           |                                                        |                                                    |
|----------------------------------------------|----------------------------|--------------------------------------------------------|----------------------------------------------------|
|                                              | Level 1 -<br>Quoted Prices | Level 2 - Other<br>Significant<br>Observable<br>Inputs | Level 3 -<br>Significant<br>Unobservable<br>Inputs |
| <b>Investments in Securities-Assets</b>      |                            |                                                        |                                                    |
| Common Stocks* .....                         | \$ 1,024,280,300           | —                                                      | —                                                  |
| Short-Term Investment                        |                            |                                                        |                                                    |
| Repurchase Agreement .....                   | —                          | \$ 17,930,000                                          | —                                                  |
| Total .....                                  | <u>\$ 1,024,280,300</u>    | <u>\$ 17,930,000</u>                                   | <u>—</u>                                           |
| <b>Investments in Securities-Liabilities</b> |                            |                                                        |                                                    |
| Common Stocks* .....                         | \$ 289,450,239             | —                                                      | —                                                  |
| Bonds                                        |                            |                                                        |                                                    |
| United States Treasury Bonds .....           | —                          | \$ 299,412,305                                         | —                                                  |
| Total .....                                  | <u>\$ 289,450,239</u>      | <u>\$ 299,412,305</u>                                  | <u>—</u>                                           |

\* All common stocks held in the Fund are Level 1 securities. For a detailed break-out of common stocks by major industry classification, please refer to the Schedule of Investments.

For the twelve months ended December 31, 2017, there were no transfers among Levels 1, 2 and 3.

**B. Security transactions and related investment income** — Security transactions are accounted for on the trade date plus one basis for daily NAV calculations. However, for financial reporting purposes, investment transactions are reported on the trade date (date the order to buy or sell is executed). Dividend income and expense is recorded

# CGM FOCUS FUND

## NOTES TO FINANCIAL STATEMENTS (continued)

on the ex-dividend date net of applicable foreign taxes, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries as applicable based upon its current interpretations of the tax rules and regulations that exist in the markets in which it invests. Interest income and expense is recorded on an accrual basis and includes amortization of premium and discount. Net gain or loss on securities sold is determined on the identified cost basis and may include proceeds from litigation. Distributions from publicly traded partnerships are generally recorded based on the characterization reported on the Fund's schedule K-1 received from the partnership. Non-cash dividend payments, if any, are recorded at the fair market value of the securities received.

- C. Federal income taxes** — It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies, and to distribute to its shareholders all of its taxable income and net realized capital gains, within the prescribed time period.

Capital accounts within the financial statements are adjusted for permanent book/tax differences. These adjustments have no impact on the Fund's net assets or results of operations. Temporary book/tax differences, if any, will reverse in a subsequent period. Any difference between book basis and tax basis unrealized appreciation is attributable primarily to the temporary book/tax difference of tax deferral of losses on wash sales.

As of December 31, 2017, the components of distributable earnings on a tax basis were as follows:

| <b>Undistributed<br/>Ordinary Income</b> | <b>Undistributed<br/>Long-term Capital<br/>Gains</b> | <b>Net Unrealized<br/>Appreciation/<br/>(Depreciation)</b> |
|------------------------------------------|------------------------------------------------------|------------------------------------------------------------|
| —                                        | —                                                    | \$127,745,638                                              |

The identified cost of investments in securities and securities sold short owned by the Fund for federal income tax purposes, and their respective gross unrealized appreciation and depreciation at December 31, 2017 was as follows:

| <b>Identified Cost*</b> | <b>Gross Unrealized<br/>Appreciation</b> | <b>Gross Unrealized<br/>Depreciation</b> | <b>Net Unrealized<br/>Appreciation</b> |
|-------------------------|------------------------------------------|------------------------------------------|----------------------------------------|
| \$325,602,117           | \$185,639,111                            | \$(57,893,472)                           | \$127,745,639                          |

\* The cost basis has been reduced by the proceeds of the short positions (\$556,852,300) at December 31, 2017. Since the cost basis includes the proceeds from short sales it may result in a net negative cost basis.

For the year ended December 31, 2017, the capital loss carryovers utilized or expired and the accumulated net realized loss on sales of investments for federal income tax purposes which are available to offset future taxable gains, prior to distributing such gains to shareholders, are shown in the table below:

| <b>Capital Loss<br/>Carryovers<br/>Utilized</b> | <b>Capital Loss<br/>Carryovers<br/>Expired</b> | <b>Remaining<br/>Capital Loss<br/>Carryovers</b> |
|-------------------------------------------------|------------------------------------------------|--------------------------------------------------|
| \$241,704,298                                   | \$1,330,455,478                                | —                                                |

# CGM FOCUS FUND

## NOTES TO FINANCIAL STATEMENTS (continued)

Capital losses may be utilized to offset future capital gains until expiration. Under the Regulated Investment Company Modernization Act of 2010, the Fund is permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. Losses incurred during those future years will be required to be utilized prior to the losses incurred in pre-enactment taxable years. As a result of this ordering rule, pre-enactment capital loss carry forwards may more likely expire unused. Also, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law.

As of December 31, 2017, the post-enactment capital loss carryforwards utilized and the accumulated net realized loss on sales of investments for federal income tax purposes which are available to offset future taxable gains, prior to distributing such gains to shareholders, are shown in the table below:

| Short-term<br>Capital Loss<br>Carryforward<br>Utilized | Long-term<br>Capital Loss<br>Carryforward<br>Utilized | Total        | Remaining<br>Short-term<br>Capital Loss<br>Carryforward | Remaining<br>Long-term<br>Capital Loss<br>Carryforward | Total |
|--------------------------------------------------------|-------------------------------------------------------|--------------|---------------------------------------------------------|--------------------------------------------------------|-------|
| \$17,899,500                                           | —                                                     | \$17,899,500 | —                                                       | —                                                      | —     |

Management has concluded that there are no significant uncertain tax positions for the open tax years as of December 31, 2017 that would require recognition in the financial statements. However, management's conclusion may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). Generally, the Fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

- D. Dividends and distributions to shareholders** — Dividends and distributions are recorded by the Fund on the ex-dividend date. The classification of income and capital gains distributions is determined in accordance with income tax regulations. Distributions from net investment income and short-term capital gains are treated as ordinary income for income tax purposes. Permanent book/tax differences relating to shareholder distributions may result in reclassifications to paid-in capital or accumulated realized gain/(loss). Permanent book/tax differences are primarily attributable to net operating losses, expiring capital loss carryforwards, dividends on short positions which were held less than forty-five days, and foreign currency gains/losses. The Fund also may utilize earnings and profits distributed to shareholders on redemption of shares as a part of the dividend deduction for income tax purposes. Undistributed net investment income or accumulated net investment loss may include temporary book/tax differences such as tax deferral of losses on wash sales, which will reverse in a subsequent period. Any taxable income or gain remaining at fiscal year end is distributed in the following year. The tax characterization of distributions is determined on an annual basis.
- E. Short sales** — The Fund may sell securities short. A short sale is a transaction in which the Fund sells a security it does not own in anticipation that the market price of that security will decline. When the Fund makes a short sale, it must borrow the security sold short to make delivery to the buyer. The Fund then is obligated to replace the security borrowed by purchasing the security at the market price at the time of the replacement. The Fund is liable for any fees, dividends or interest paid on securities sold short, which are recorded as expenses on the Statement of Operations. The net amount of income and/or fees are included as interest expense on short sales on the Statement of Operations. While the short sale is outstanding, the Fund is required to collateralize its obligations, which has the practical effect of limiting the extent to which the Fund may engage in short sales. Under certain market conditions, short sales can increase the volatility of the Fund and may lower the Fund's return or result in losses, which potentially may be unlimited. The market value of securities held in a segregated account at

## NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017, was \$314,758,900 and the value of cash held in a segregated account at December 31, 2017 was \$546,852,064.

- F. Guarantees and indemnifications** — Under the Trust's organizational documents, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties for the Fund. Additionally, in the normal course of business, the Fund may enter into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. The risk of material loss from such claims is considered remote.
- G. Foreign currency translation** — All assets and liabilities initially expressed in terms of foreign currencies are translated into U.S. dollars each day at the prevailing exchange rate. Transactions affecting Statement of Operations accounts and net realized gain or loss on investments are translated at the rates prevailing at the dates of the transactions. The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments. Reported net realized foreign exchange gains or losses arise from sales of foreign currency, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains or losses arise from changes in the value of assets and liabilities other than investments in securities at the end of the period, resulting from changes in the exchange rate.
- H. Repurchase agreements** — The Fund enters into repurchase agreements, under the terms of a Master Repurchase Agreement, secured by U.S. Government or Agency securities, which involve the purchase of securities from a counterparty with a simultaneous commitment to resell the securities at an agreed upon date and price. Certain repurchase agreements are tri-party arrangements whereby the collateral is held in a segregated account for the benefit of the Fund and on behalf of the counterparty. Repurchase agreements afford the Fund the opportunity to earn a return on temporarily available cash at minimal market risk. While the underlying security may be a bill, certificate of indebtedness, note or bond issued by an agency, authority or instrumentality of the U.S. Government, the obligation of the seller is not guaranteed by the U.S. Government and there is a risk that the seller may fail to repurchase the underlying security. Consequently, there may be possible delays or restrictions upon the Fund's ability to dispose of the underlying securities. Upon an event of default under the Master Repurchase Agreement, the Fund would attempt to exercise its rights with respect to the underlying security, including taking possession of the cash and/or collateral provided by the seller.

At December 31, 2017, the Fund had an investment in a repurchase agreement with a gross value of \$17,930,000 on the Statement of Assets and Liabilities. The value of the related collateral consisting of cash, interest and/or securities of \$18,315,688 exceeded the value of the repurchase agreement at December 31, 2017 by \$385,688.

- I. Use of estimates** — The preparation of financial statements in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- 3. Risks and uncertainties**
- A. Risks associated with focused investing** — The Fund, although diversified, takes a focused approach to investing within particular industries or sectors of the economy and may invest in a relatively small number of individual



## NOTES TO FINANCIAL STATEMENTS (continued)

holdings. Therefore, the Fund may be subject to greater price volatility and may be more adversely affected by the performance of particular industries, sectors, or individual holdings than would a more diversified fund. In addition, funds that invest more heavily in certain industries, sectors or individual holdings are particularly susceptible to the impact of market, economic, regulatory and other factors affecting those investments.

- B. Risks associated with foreign investments** — The Fund may invest in securities issued by institutions, corporations, and governments established by or located in foreign countries, which may be developed or undeveloped countries. Investing in foreign securities may involve significant risks. For example, there is generally less publicly available information about foreign companies, particularly those not subject to the disclosure and reporting requirements of the U.S. securities laws. Foreign issuers are generally not bound by uniform accounting, auditing, and financial reporting requirements and standards of practice comparable to those applicable to domestic issuers. Investments in foreign securities also involve the risk of possible adverse changes in investment or exchange control regulations, expropriation or confiscatory taxation, political or financial instability or diplomatic and other developments which could affect such investments. Foreign stock markets, while growing in volume and sophistication, are generally not as developed as those in the U.S., and securities of some foreign issuers (particularly those located in developing countries) may be less liquid and more volatile than securities of comparable U.S. companies. In general, there is less overall governmental supervision and regulation of foreign securities markets, broker-dealers and issuers than in the U.S. Additionally, because some foreign securities the Fund may acquire are purchased with and payable in foreign currencies, the value of these assets as measured in U.S. dollars may be affected favorably or unfavorably by changes in currency rates and exchange control regulations. To the extent the Fund focuses its investments in a single country or only a few countries in a particular geographic region, economic, political, regulatory or other conditions affecting such country or region may have a greater impact on Fund performance relative to a more geographically diversified fund.

- 4. Purchases and sales of securities** — For the year ended December 31, 2017, purchases and sales of securities other than U.S. Government or Agency obligations and short-term investments aggregated \$4,874,445,349 and \$5,089,939,756, respectively. Short sales for U.S. Treasury bonds for the year ended December 31, 2017 were \$100,215,625.

### 5. Fees and expenses

- A. Management fees** — During the year ended December 31, 2017, the Fund incurred management fees of \$9,474,330, paid or payable monthly to CGM, certain officers and employees of which are also officers and trustees of the Fund. The management agreement provides for a fee at the annual rate of 1.00% on the first \$500 million of the Fund's average daily net assets, 0.95% of the next \$500 million of the Fund's average daily net assets and 0.90% on amounts in excess of \$1 billion of the Fund's average daily net assets.
- B. Other expenses** — The majority of expenses are directly attributable to the Fund. Expenses that are not readily attributable to the Fund are allocated among each of the three funds comprising the Trust in an equitable manner, taking into consideration, among other things, the nature and type of expense and the funds' respective net assets. CGM performs certain administrative, accounting, compliance and other services for the Fund. The expenses of those services, which are paid to CGM by the Fund, include the following: (i) expenses for personnel performing bookkeeping, accounting and financial reporting and clerical functions relating to the Fund; (ii) expenses for services required in connection with the preparation of registration statements and prospectuses, shareholder reports and notices, proxy solicitation material furnished to shareholders of the Fund or regulatory authorities and reports and questionnaires for Securities and Exchange Commission ("SEC") compliance; (iii) registration, filing and other fees in connection with requirements of regulatory authorities and (iv) compliance in connection to the Investment Company Act of 1940 and the Sarbanes-Oxley Act of 2002. The accounting, administration and compliance



## NOTES TO FINANCIAL STATEMENTS (continued)

expenses of \$605,575, for the year ended December 31, 2017, are shown separately in the Statement of Operations. These expenses include the reimbursement of a portion of the compensation expenses incurred by CGM for its employees who provide these administrative, accounting, compliance, and other services to the Fund, including \$524,299 of the salaries of CGM employees who are officers of the Fund.

- C. Trustees fees and expenses** — The Fund does not pay any compensation directly to any trustees who are “interested persons” (as defined in the Investment Company Act of 1940) of CGM or any affiliate of CGM (other than registered investment companies). For the year ended December 31, 2017, each disinterested trustee was compensated by the Trust with an annual fee of \$90,000 plus travel expenses for each meeting attended. The disinterested trustees are responsible for the audit committee functions of the Trust’s Board and have designated a disinterested trustee to lead the Board’s efforts in overseeing those functions, who receives an additional \$30,000 annually. Of these amounts, the Fund is responsible for \$10,000 per trustee annually, plus an annual variable fee calculated based on the proportion of the Fund’s average net assets relative to the aggregate average net assets of the Trust.
- 6. Recent accounting pronouncement** — In October 2016, the SEC adopted new rules and forms and amended existing rules and forms (together, “final rules”) intended to modernize and enhance the reporting and disclosure of information by registered investment companies and to enhance liquidity risk management by open-ended mutual funds and exchange-traded funds. The final rules are designed to enhance the quality of information available to investors and to allow the SEC to more effectively collect and use data reported by funds. In part, the final rules amend Regulation S-X and require standardized, enhanced disclosure about derivatives in the Fund’s financial statements, as well as other amendments. The compliance date for the amendments to Regulation S-X was August 1, 2017. The original compliance date for the new forms was June 1, 2018 and the compliance date for the liquidity risk management program requirements is December 1, 2018. On December 8, 2017 the SEC delayed by nine months the requirement to file the new portfolio holdings disclosure form with the SEC. During the nine month delay, funds will not be required to file this form, but are required to maintain in their records the information that would be reported in the form.

# CGM FOCUS FUND

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of CGM Trust and CGM Focus Fund

### *Opinion on the Financial Statements*

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of CGM Focus Fund (the "Fund") as of December 31, 2017, the related statements of operations for the year ended December 31, 2017, the statement of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively, referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Boston, Massachusetts

February 15, 2018

We have served as the auditor of one or more investment companies in Capital Growth Management Investment Company Complex since at least 1994. We have not determined the specific year we began serving as auditor.

### ADDITIONAL INFORMATION

(unaudited)

#### **Availability of proxy voting information:**

Proxy voting policies and information regarding how the Fund voted proxies relating to portfolio securities during the twelve month period ended June 30, 2017 are available without charge, by calling 800-345-4048. The policies also appear in the Fund's Statement of Additional Information, which can be found on the CGM Funds' website, [www.cgmfund.com](http://www.cgmfund.com), and the SEC's website, [www.sec.gov](http://www.sec.gov). The voting records can also be found on the SEC's website on the N-PX filing.

#### **Portfolio holdings:**

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at [www.sec.gov](http://www.sec.gov) and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800-SEC-0330.

The Fund's Prospectus and Statement of Additional Information contain additional information on other risks and uncertainties relating to the Fund's investments. The Fund's Prospectus and Statement of Additional Information can be obtained on the CGM Funds' website, [www.cgmfund.com](http://www.cgmfund.com), and the SEC's website, [www.sec.gov](http://www.sec.gov) or by calling 800-345-4048.

### TAX INFORMATION FOR THE TAX YEAR ENDED December 31, 2017

(unaudited)

We are providing this information as required by the Internal Revenue Code.

The Fund did not make any distributions in 2017.

## FUND EXPENSES

(unaudited)

As a shareholder of CGM Focus Fund, you incur two types of costs: (1) transaction costs, which could include, among other charges, wire fees and custodial maintenance fees for certain types of accounts and (2) ongoing costs, including management fees and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period July 1, 2017 to December 31, 2017.

### **Actual return and expenses**

The first line of the table below provides information about actual account values and actual expenses.

You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

### **Hypothetical example for comparison purposes**

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs such as any wire fees or custodial maintenance fees that may be payable. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

|                                             | <i>Beginning<br/>Account Value<br/>07/01/17</i> | <i>Ending Account<br/>Value 12/31/17</i> | <i>Expenses Paid<br/>During Period*<br/>07/01/17 - 12/31/17</i> |
|---------------------------------------------|-------------------------------------------------|------------------------------------------|-----------------------------------------------------------------|
| Actual                                      | \$1,000.00                                      | \$1,142.40                               | \$16.50                                                         |
| Hypothetical<br>(5% return before expenses) | \$1,000.00                                      | \$1,009.80                               | \$15.48                                                         |

\* Expenses are equal to the Fund's annualized expense ratio of 3.06%, which includes expenses related to short sales activity, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

## TRUSTEES AND OFFICERS

The Fund is supervised by the Board of Trustees (the “Board”) of the Trust. The Board is responsible for the general oversight of the Fund, including general supervision and review of the Fund’s investment activities. The Board, in turn, elects the officers who are responsible for administering the Fund’s day-to-day operations.

An asterisk in the following table identifies those trustees and officers who are “interested persons” of the Trust as defined in the Investment Company Act of 1940. Each trustee and officer of the Trust noted as an interested person is interested by virtue of that individual’s position with CGM, as described in the table below. Each trustee serves during the continued lifetime of the Trust, until he or she earlier dies, resigns or is removed, or if sooner, until the election and qualification of his or her successor. Each officer serves until his or her successor is elected or qualified, or until the officer sooner dies, resigns, or is removed or becomes disqualified.

The trustees and officers of the Trust, their ages, their principal occupations during the past five years, the number of CGM Funds they oversee, and other directorships they hold are set forth below. Unless otherwise noted below, the address of each interested trustee and officer is One International Place, Boston, Massachusetts 02110. Correspondence intended for the trustees who are not “interested persons” of the Trust may be sent c/o Capital Growth Management, One International Place, Boston, Massachusetts 02110. The Statement of Additional Information for the Fund includes additional information about Fund trustees and is available on the CGM Funds' website, [www.cgmfunds.com](http://www.cgmfunds.com), or by calling 800-345-4048.

| Name<br>(Birth Year)          | Positions Held<br>and Length of<br>Time Served | Principal Occupations and Other<br>Directorships Held During Past 5 Years                                                                                                                                                                                                                                                                                                  | Number of<br>Funds in<br>the CGM<br>Funds<br>Complex<br>Overseen |
|-------------------------------|------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| <b>Interested Trustees</b>    |                                                |                                                                                                                                                                                                                                                                                                                                                                            |                                                                  |
| Ken Heebner*<br>(1940)        | Trustee since 1993                             | Co-founder and Employee, CGM; Controlling owner of Kenbob, Inc. (general partner of CGM)                                                                                                                                                                                                                                                                                   | 3                                                                |
| Leslie A. Lake*<br>(1945)     | Trustee since 2013                             | Vice President and Secretary of CGM Trust (since 1992); Employee - Office Administrator, CGM                                                                                                                                                                                                                                                                               | 3                                                                |
| <b>Disinterested Trustees</b> |                                                |                                                                                                                                                                                                                                                                                                                                                                            |                                                                  |
| Peter O. Brown<br>(1940)      | Trustee since 1993                             | Counsel (formerly, Partner), Harter, Secrest & Emery LLP (law firm); formerly Executive Vice President and Chief Operating Officer, The Glenmede Trust Company (from 1990 to 1993); formerly Senior Vice President, J.P. Morgan Chase Bank (from 1981 to 1990); formerly Trustee, TT International U.S.A. Master and Feeder Trusts (four mutual funds) (from 2000 to 2005) | 3                                                                |
| Mark W. Holland<br>(1949)     | Trustee since 2004                             | President, Wellesley Financial Advisors, LLC (since 2003); formerly Vice President and Chief Operating Officer, Fixed Income Management, Loomis, Sayles & Company, L.P. (from 1999 to 2002); formerly Director, Loomis, Sayles & Company, L.P. (from 1993 to 2001)                                                                                                         | 3                                                                |

## CGM FOCUS FUND

| Name<br>(Birth Year)            | Positions Held<br>and Length of<br>Time Served                                                | Principal Occupations and Other<br>Directorships Held During Past 5 Years                   | Number of<br>Funds in<br>the CGM<br>Funds<br>Complex<br>Overseen |
|---------------------------------|-----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| J. Baur Whittlesey<br>(1946)    | Trustee since 1990                                                                            | Member (1994 to 2016) and Senior Counsel<br>(since 2017), Ledgewood, P.C. (law firm)        | 3                                                                |
| <b>Officers</b>                 |                                                                                               |                                                                                             |                                                                  |
| Ken Heebner*<br>(1940)          | Vice President since<br>1990                                                                  | Co-founder and Employee, CGM; Controlling<br>owner of Kenbob, Inc. (general partner of CGM) | 3                                                                |
| David C. Fietze*<br>(1969)      | President since 2015<br>and Chief Compliance<br>Officer since 2004                            | Employee – Legal Counsel, CGM                                                               | 3                                                                |
| Kathleen S. Haughton*<br>(1960) | Vice President since<br>1992 and Anti-Money<br>Laundering<br>Compliance Officer<br>since 2002 | Employee – Investor Services Division, CGM<br>38 Newbury St., Boston, MA 02116              | 3                                                                |
| Jem A. Hudgins*<br>(1963)       | Treasurer since 2004                                                                          | Employee – Treasury Operations, CGM                                                         | 3                                                                |
| Leslie A. Lake*<br>(1945)       | Vice President and<br>Secretary since 1992                                                    | Employee – Office Administrator, CGM                                                        | 3                                                                |
| Martha I. Maguire*<br>(1955)    | Vice President since<br>1994                                                                  | Employee – Funds Marketing, CGM                                                             | 3                                                                |
| Nicole M. Fembreaux*<br>(1979)  | Assistant Vice<br>President since 2011                                                        | Employee – Operations, CGM                                                                  | 3                                                                |
| Kevin Ure*<br>(1971)            | Vice President since<br>2013                                                                  | Employee – Accounts Admin. Operations, CGM                                                  | 3                                                                |
| Tony Figueiredo*<br>(1960)      | Vice President since<br>2013                                                                  | Employee – Investor Services Division, CGM<br>38 Newbury St., Boston, MA 02116              | 3                                                                |
| Deidra Hewardt*<br>(1972)       | Assistant Treasurer<br>since 2014                                                             | Employee – Treasury Operations, CGM<br>38 Newbury St., Boston, MA 02116                     | 3                                                                |

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